

TOWNSHIP OF ST. CHARLES
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name St. Charles Township	County Saginaw
Fiscal Year End June 30, 2007	Opinion Date August 15, 2007	Date Audit Report Submitted to State August 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

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INTRODUCTORY SECTION

Township of St. Charles
List of Elected Officials
June 30, 2007

Lawrence J. Mahoney	Supervisor
Elaine K. Rolando	Clerk
Kathleen M. Klein	Treasurer
Vivian M. Vogelaar	Trustee
John Vogt	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of St. Charles
Saginaw County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Township of St. Charles, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of St. Charles, Michigan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of St. Charles, Michigan, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Gaudette, CPA, P.C.

August 15, 2007

BASIC FINANCIAL STATEMENTS

Township of St. Charles
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 68,537
Investments	50,000
Restricted cash	2,550
Prepaid expenses	5,311
Due from agency fund	50
Capital assets (net of accumulated depreciation):	
Land	8,835
Buildings & improvements	103,470
Machinery & equipment	2,317
Office furniture & equipment	10,955
Cemetery, improvements & equipment	<u>15,995</u>
Total Assets	<u>268,020</u>
 LIABILITIES	
Accounts payable	8,432
Accrued expenses	<u>2,628</u>
Total liabilities	<u>11,060</u>
 NET ASSETS	
Invested in capital assets	141,572
Restricted for:	
Cemetery Chapel Fund	2,550
Unrestricted	<u>112,838</u>
Total net assets	<u>\$ 256,960</u>

See notes to financial statements

Township of St. Charles
Statement of Activities
For the Year Ended June 30, 2007

Functions /Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Legislative General government	\$ 4,510	\$	\$	\$
Public safety	128,684	4,130	10,236	
Public works	13,989	9,270		
Community/economic development	123,233	61,672	3,354	
Health & welfare	5,432			
Recreation & culture	964			
Other:				
Ecology	6,000			
Depreciation	500			
	<u>17,684</u>			
Total governmental activities	<u>\$300,996</u>	<u>\$ 75,072</u>	<u>\$ 13,590</u>	<u>\$</u>

General revenues:

Property taxes, related interest,
penalties & fees
Licenses & fees
State aid
Interest
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expenses)
Revenues and
Changes in
Net Assets

Governmental
Activities

\$ (4,510)

(114,318)

(4,719)

(58,207)

(5,432)

(964)

(6,000)

(500)

(17,684)

(212,334)

90,591

14

93,676

4,270

65

188,616

(23,718)

280,678

\$ 256,960

Township of St. Charles
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 68,537	\$ 68,537
Investments	50,000	50,000
Restricted cash	2,550	2,550
Prepaid expenses	5,311	5,311
Due from agency fund	<u>50</u>	<u>50</u>
Total Assets	<u>\$ 126,448</u>	<u>\$ 126,448</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 8,432	\$ 8,432
Accrued expenses	<u>2,628</u>	<u>2,628</u>
Total liabilities	<u>11,060</u>	<u>11,060</u>
Fund balance:		
Reserved for:		
Cemetery Chapel Fund	2,550	2,550
Unreserved reported in:		
General fund	<u>112,838</u>	<u>112,838</u>
Total fund balance	<u>115,388</u>	<u>115,388</u>
Total liabilities and fund balance	<u>\$ 126,448</u>	<u>\$ 126,448</u>

See notes to financial statements

Township of St. Charles
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
June 30, 2007

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 115,388
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	208,692
Accumulated depreciation	<u>(67,120)</u>

Total Net Assets - Governmental Activities	<u>\$ 256,960</u>
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See notes to financial statements

Township of St. Charles
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Taxes, interest, penalties & fees	\$ 90,541	\$ 90,541
Non-business licenses & permits	9,284	9,284
State aid	101,990	101,990
Charges for services	4,130	4,130
Interest	4,270	4,270
Other:		
Miscellaneous	65	65
Special assessments	61,672	61,672
Reimbursements	<u>5,276</u>	<u>5,276</u>
Total revenues	<u>277,228</u>	<u>277,228</u>
EXPENDITURES		
Current:		
Legislative	4,510	4,510
General government	128,684	128,684
Public safety	13,989	13,989
Public works	123,233	123,233
Community/economic development	5,432	5,432
Health & welfare	964	964
Recreation & culture	6,000	6,000
Other	500	500
Capital outlay	<u>22,605</u>	<u>22,605</u>
Total expenditures	<u>305,917</u>	<u>305,917</u>
Net changes in fund balance	(28,689)	(28,689)
Fund balance - beginning	<u>144,027</u>	<u>144,027</u>
Fund balance - ending	<u>\$ 115,338</u>	<u>\$ 115,338</u>

See notes to financial statements

Township of St. Charles
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balance of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2007

Amounts reported for governmental activities in the
 statement of activities are different because:

Total net change in fund balance - governmental funds	\$(28,689)
--	-------------

Capital outlays to purchase capital assets
 and books are recorded in governmental
 funds as expenditures. However, for
 governmental activities those costs are
 shown in the statement of net assets and
 are depreciated over their estimated
 useful lives as annual depreciation in
 the statement of activities.

This amount by which capital outlays
 exceeded depreciation in the period.

	Capital outlays \$ 22,605	
	Depreciation expense <u>(17,684)</u>	4,921
Amount due from the Tax Collection Fund	_____	<u>50</u>
Change in net assets of governmental activities		<u><u>\$(23,718)</u></u>

See notes to financial statements

Township of St. Charles
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
- Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes and related interest, penalties and fees	\$ 94,900	\$ 94,900	\$ 90,541	\$ (4,359)
Non-business licenses and permits:				
Dog licenses			14	14
Building permits	9,000	9,000	8,920	(80)
Special use permit			350	350
Intergovernmental revenue from state:				
State revenue sharing	94,800	94,800	93,676	(1,124)
Metro Act			3,354	3,354
SET			4,960	4,960
Charges for services:				
Sale of grave lots and other sales	5,500	5,500	4,130	(1,370)
Interest	1,200	1,200	4,270	3,070
Rents	2,000	2,000		(2,000)
Other revenue:				
Miscellaneous			65	65
Special assessments - refuse	64,000	64,000	61,672	(2,328)
All other refunds	5,000	5,000	5,276	276
Total revenues	<u>276,400</u>	<u>276,400</u>	<u>277,228</u>	<u>828</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	<u>4,900</u>	<u>4,900</u>	<u>4,510</u>	<u>390</u>

Township of St. Charles
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
- Budget and Actual
For the Year Ended June 30, 2007
(Continued)

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
(Continued):				
Current:				
General government:				
Supervisor	9,350	9,400	9,173	227
Elections	4,300	4,800	6,991	(2,191)
Accounting & general	37,100	38,000	32,654	5,346
Assessor	16,000	16,400	16,829	(429)
Attorney	1,800	1,800	263	1,537
Clerk	14,300	14,300	14,002	298
Board of review	2,200	2,200	1,204	996
Treasurer	25,500	25,500	22,606	2,894
Township hall	10,500	10,500	8,340	2,160
Cemetery	19,900	20,525	16,622	3,903
Total general government	<u>140,950</u>	<u>143,425</u>	<u>128,684</u>	<u>14,741</u>
Public safety:				
Building inspections	<u>14,500</u>	<u>14,500</u>	<u>13,989</u>	<u>511</u>
Public works:				
Drain expense	8,000	8,000	5,162	2,838
Roads	100,000	97,000	58,795	38,205
Sanitation	<u>64,000</u>	<u>64,000</u>	<u>59,276</u>	<u>4,724</u>
Total Public Works	<u>172,000</u>	<u>169,000</u>	<u>123,233</u>	<u>45,767</u>
Community/economic development:				
Planning & zoning	<u>6,400</u>	<u>6,400</u>	<u>5,432</u>	<u>968</u>
Health & welfare:				
Health center	<u>1,500</u>	<u>1,500</u>	<u>964</u>	<u>536</u>
Recreation & culture:				
Parks & recreation	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	

Township of St. Charles
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
- Budget and Actual
For the Year Ended June 30, 2007
(Continued)

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
(Continued):				
Current:				
Other:				
Ecology	<u>500</u>	<u>500</u>	<u>500</u>	<u></u>
Capital outlay	<u>20,800</u>	<u>20,800</u>	<u>22,605</u>	<u>(1,805)</u>
Total expenditures	<u>367,550</u>	<u>367,025</u>	<u>305,917</u>	<u>61,108</u>
Net change in fund balance	(91,150)	(90,625)	(28,689)	61,936
Fund balance - beginning	<u>177,714</u>	<u>177,714</u>	<u>144,027</u>	<u>(33,687)</u>
Fund balance - ending	<u>\$ 86,564</u>	<u>\$ 87,089</u>	<u>\$115,338</u>	<u>\$ 28,249</u>

See notes to financial statements

Township of St. Charles
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ -
Total Assets	<u>-</u>
 LIABILITIES	
Due to other funds	<u>-</u>
 NET ASSETS	
Held in trust for other purposes	<u><u>\$ -</u></u>

See notes to financial statements

Township of St. Charles
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections and fees	\$2,083,480
Interest	<u>2,183</u>
Total additions	<u>2,085,663</u>
 DEDUCTIONS	
Transfer to General Fund	90,541
Payments to other governmental units	<u>1,995,072</u>
Total deductions	<u>2,085,613</u>
Changes in net assets	50
Net assets - beginning	<u> </u>
Net assets - ending	<u><u>\$ 50</u></u>

See notes to financial statements

Township of St. Charles
Notes to the Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies

The financial statements of the Township of St. Charles (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2006 real taxable valuation of the Township totaled \$71,412,520, on which ad valorem taxes levied consisted of .8997 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees to collect the taxes and applicable interest.

The Township reports the following major governmental fund:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the government reports the following fund type:

The *current tax collection fund* is an agency fund and is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities and net assets

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASBS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration (with a maturity of three months or less) the rate of return is fixed, such as certificates of deposit, and the Township intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers'

acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township Board has designated one bank for the deposit of Township funds.

2. *Short-term interfund receivables/payable*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. *Receivables and payables*

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. *Capital assets*

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

Building	40 years
Building improvements	10 years
Machinery and equipment	5 years
Office furniture and equipment	5 years
Cemetery improvements and equipment	10 years

6. Compensated absences

The Township does not have a compensated absence policy.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

8. Fund balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

9. Use of estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The

level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to July 1st.

B. Excess of expenditures over appropriations

During the year ended June 30, 2007, the Township incurred expenditures in certain budgetary funds which were in excess of amounts appropriated, \$2,191 for elections and \$429 for assessor.

III. Detailed notes on all funds

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures.

A. Cash and Investments

Deposits

The Township's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed

to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Township (or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 70,185	\$ 70,185	\$	\$	\$ 68,494
Savings	2,550	2,550			2,550
	<u>\$ 72,735</u>	<u>\$ 72,735</u>	<u>\$</u>	<u>\$</u>	<u>\$ 71,044</u>

Investments

The Township's policies and applicable laws regarding investments are discussed in Note 1. The table presented below is designed to disclose the level of market risk and custody risk assumed by the Township (or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2007. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Township or its agent in the Township's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Township's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Township's name.

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificate of deposit	<u>\$ 50,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 50,000</u>	<u>\$50,000</u>

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 68,537
Restricted cash	2,550
Investments	<u>50,000</u>
Total	<u>\$ 121,087</u>
Cash and cash equivalents:	
Petty cash	\$ 43
General fund	122,600
Checks written in excess of deposits	<u>(1,556)</u>
Total	<u>\$ 121,087</u>

B. Capital assets

Capital asset balances and activity for the year ended June 30, 2007 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,835	\$ _____	\$ _____	\$ 8,835
Capital assets being depreciated:				
Buildings	88,608	22,605		111,213
Building improvements	2,000			2,000
Machinery & equipment	11,582			11,582
Office furniture & equipment	48,868			48,868
Cemetery improvements & equipment	<u>26,194</u>	<u>_____</u>	<u>_____</u>	<u>26,194</u>
Subtotal	<u>177,252</u>	<u>22,605</u>	<u>_____</u>	<u>199,857</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings	(6,645)	(2,498)		(9,143)
Building improvements	(400)	(200)		(600)
Machinery & equipment	(6,949)	(2,316)		(9,265)
Office furniture & equipment	(28,139)	(9,774)		(37,913)
Cemetery improvements & equipment	<u>(7,303)</u>	<u>(2,896)</u>		<u>(10,199)</u>
Subtotal	<u>(49,436)</u>	<u>(17,684)</u>		<u>(67,120)</u>
Net capital assets being depreciated	<u>127,816</u>	<u>4,921</u>		<u>132,737</u>
Governmental activities capital assets-net of depreciation	<u>\$ 136,651</u>	<u>\$ 4,921</u>	<u>\$</u>	<u>\$ 141,572</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 12,090
Township hall	2,698
Cemetery	<u>2,896</u>
Total depreciation expense-governmental activities	<u>\$ 17,684</u>

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B: Pension plan

The Township does not provide a pension plan for its employees.

C: Intergovernmental agreements

The Township has an agreement with the Tri-Township Fire Department of Brant, St. Charles, and Swan Creek Townships to render fire protection to its residents.

COMMENTS AND RECOMMENDATIONS

Members of the Township Board
Township of St. Charles
St. Charles, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.
August 15, 2007